

Message Text

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ACTION EB-07

INFO OCT-01 EA-06 ISO-00 SP-02 AID-05 NSC-05 RSC-01

CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01 L-02 H-01

PRS-01 COME-00 XMB-02 OPIC-03 IGA-01 FRB-01 CIAE-00

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E.9. 11652: N/A

TAGS: EFIN, TH

SUBJECT: SIAM KRAFT PAPER CO. DEFAULTS ON PAYMENTS TO EXIM
AND OPIC-GUARANTEED LENDER AND REQUESTS URGENT
MEETING TO DISCUSS REORGANIZATION.

BEGIN SUMMARY:

SIAM KRAFT PAPER CO. (SKPC) IN DEFAULT ON INTEREST AND
PRINCIPAL PAYMENTS TO EXIM AND OPIC-GUARANTEED LENDER,
AND IS SERIOUSLY INDEBTED TO LOCAL SUPPLIERS. HAS RE-
QUESTED URGENT MEETING OF PRINCIPAL CREDITORS AND STOCK-
HOLDERS TO DISCUSS COMPANY REORGANIZATION, WHICH GENERAL
MANAGER FEELS IS NECESSARY IF ADVERSE PUBLICITY AND BANK-
RUPTCY PROCEEDINGS ARE TO BE AVOIDED AND COMPANY IS TO
BECOME VIABLE. END SUMMARY.

1. ROBERT STRATTON, GENERAL MANAGER OF SKPC, INFORMED DCM
JANUARY 14 COMPANY IN SERIOUS FINANCIAL DIFFICULTIES AND
HAD DEFAULTED ON INTEREST AND PRINCIPAL PAYMENTS DUE
EXIM AND TO LENDERS GUARANTEED BY OPIC (I.E. BANK OF
AMERICA) END OF DECMEBER IN TOTAL AMOUNT OF BAHT 18 MILLION.
STRATTON SAID SKPC HAD CABLED EXIM AND OPIC PREVIOUS DAY RE-
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QUESTING PRESENCE OF THEIR REPRESENTATIVES IN THAILAND ON URGENT

BASIS FOR DISCUSSIONS WITH MAJOR CREDITORS AND PRINCIPAL STOCKHOLDERS AIMED AT SKPC REORGANIZATION. BANK OF AMERICA HAD ALSO BEEN ASKED TO ATTEND. STRATTON SAID HE HAD DISCUSSED SKPC'S FINANCIAL STRAITS WITH EXIM LAST NOVEMBER, BUT AT THAT TIME HAD NOT KNOWN WOULD DEFAULT.

2. STRATTON SAID SKPC ALSO SERIOUSLY INDEBTED TO LOCAL SUPPLIERS, INCLUDING LARG NUMBER OF SMALL ONES, WITH BAHT 80 MILLION OUTSTANDING OF WHICH BAHT 42 MILLION IS NOW OVERDUE.

3. SKPC HAS NOT RPT NOT YET INFORMED RTG, AND IS TRYING TO WORK BEHIND SCENES IN ORDER AVOID PUBLICITY. REASON FOR PROPOSED MEETING WOULD BE TO STAVE OFF PUBLIC BANKRUPTCY PROCEEDINGS. IN TALKS WITH DCM AND COMAT, STRATTON STRESSED URGENCY OF MATTER. HE NOTED THAT WHEN EXIM REPS CAME TO BANGKOK A YEAR AGO FOR SIMILAR DISCUSSIONS, THAI STOCKHOLDERS REFUSED TO DISCUSS, WHICH MIGHT MAKE EXIM RELUCTANT TO REACT IMMEDIATELY TO PRESENT REQUEST, BUT SAID THAT LOCAL MAJOR CREDITORS AND STOCKHOLDERS NOW IN MORE FAVORABLE MOOD.

4. STRATTON SAID CURRENT DIFFICULTIES NOT DIRECTLY RELATED TO LEGAL DISPUTE WITH PARSONS & WHITEMORE, BUT THAT SALES WERE DOWN AND PLANT OPERATING BELOW CAPACITY. COMAT ASKED IF PROPOSED REORGANIZATION WOULD REALLY MAKE COMPANY VIABLE UNDER THESE CIRCUMSTANCES. STRATTON SAID THAT PROJECTIONS FOR THE COMPANY'S FUTURE WOULD INDICATE VIABILITY, IF REORGANIZED AND ADDITIONAL EQUITY BROUGHT IN.

5. STRATTON SAID HE APPRECIATES EXIM IS IN VERY DIFFICULT POSITION, INCLUDING BEING SUBJECT TO CONGRESSIONAL CRITICISM FOR EXTENDING LOAN TO SKCP, AND ALSO NOTED POLITICAL DIFFICULTY IN FORECLOSING ON COMPANY PARTIALLY OWNED BY CROWN PROPERTIES.

6. EMBOFF INFORMED STRATTON IT WOULD INFORM DEPARTMENT OF SKCP'S REQUESTS TO EXIM AND OPIC.

COMMENT: EMBASSY HAS BEEN INFORMED BY OUTSIDE SOURCES THAT, WITH NINE OTHER MILLS NOW PRODUCING KRAFT PAPER IN THAILAND, LIMITED OFFICIAL USE

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PRODUCTION EXCEEDS DEMAND, WITH SKPC REPORTEDLY OPEATING AT 50 PERCENT OF CAPACITY AND SELLING ITS PRODUCTS AT A LOSS. KINTNER

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